

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: LAWRENCE I. GOLDSTEIN

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FILES NO. 1100065

NOTICE OF HEARING

TO THE RESPONDENT:

Lawrence I. Goldstein
(CRD#: 3223787)
2633 Eden Place
Beverly Hills, California
90210

Lawrence I. Goldstein
(CRD#: 3223787)
C/o Oppenheimer & Co., Inc.
125 Board Street 16th Floor
New York, New York 10004

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 6th day of July, 2011 at the hour of 10:00 a.m. or as soon as possible thereafter, before James L. Kopecky Esq., or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Lawrence I. Goldstein's (the "Respondent") registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E (4) of the Act, payable within ten (10) business days of the entry of the Order.

The grounds for such proposed action are as follows:

1. That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
2. That on January 24, 2011 FINRA entered a Letter of Acceptance, Waiver and Consent (AWC) submitted by the Respondent regarding File No. 20080130008-01 which sanctioned the Respondent as follows:

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- a. 10-business day suspension from association with any member of FINRA in any and all capacities; and
 - b. a fine of \$6,623.00, which includes the financial benefit received by the Respondent for the transactions described below.
3. That the AWC found:

OVERVIEW

Between January 2006 and February 2007, the Respondent, in conjunction with an investment strategy that he devised, recommended purchases and sales of securities to a customer of Oppenheimer (his employing dealer) that was unsuitable for that customer based upon the customer's financial status, tax status, investment objectives, and other information available to him about the customer's circumstances and needs.

FACTS AND VIOLATIVE CONDUCT

On August 22, 2005, SP opened an account at Oppenheimer with the Respondent. According to the account opening documentation, SP was single, 45 years old, unemployed, had an annual income of approximately \$22,000.00 from unemployment benefits, a total net worth of \$125,000.00 and a liquid net worth of \$100,000.00. Her liquid net worth was from an inheritance she had recently received upon the death of her father. SP did not have any prior investment experience and was unsophisticated with respect to financial matters. SP deposited the \$100,000.00 inheritance into her Oppenheimer account. The account documentation indicated two investment objectives, "current income (conservative)" and "current income (aggressive)." SP also sought liquidity since she was unemployed and intended to make periodic withdrawals to supplement the unemployment benefits she *was* currently receiving.

The Respondent initially recommended that SP invest in auction rate securities. SP followed his recommendation and he invested the entirety of her account in auction rate securities between approximately August 22, 2005 and approximately October 26, 2005. These recommendations were not unsuitable for SP. In late October 2005 the Respondent recommended that SP begin to liquidate the auction rate securities and transition into preferred securities over the next couple of months, focusing on new issues, with the understanding that, if a particular preferred security appreciated to a degree that the Respondent believed it beneficial to sell the security rather than receive dividends, the security would be sold and another preferred security would be purchased. SP agreed to follow his recommendation. Between approximately October 26, 2005, and approximately January 13, 2006, the Respondent recommended the purchase of preferred securities that were rated investment grade. After approximately January 13, 2006, and through approximately February 8, 2007, however, the Respondent

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recommended, and SP purchased, preferred securities that were increasingly below investment grade or not rated. These recommendations resulted in the acquisition of securities that posed greater risk than warranted by her financial circumstances and needs and, further, caused her portfolio to become over-concentrated in below-investment-grade securities. The recommendations that SP purchase below-investment grade securities were unsuitable for SP because they exposed her principal to excessive risk of loss.

By recommending and then investing SP's assets in these preferred securities that were below investment grade and also by over concentrating SP's account in below investment grade preferred securities, as described above, the Respondent recommended and made investments in SP's account that were unsuitable for SP in light of her financial circumstances, tax status, investment objectives and other information known to the Respondent at the time he made the recommendations.

The recommendations, therefore, constituted separate and distinct violations of NASD Rule 2310 by the Respondent. Such conduct was also inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of NASD Rule 2110 by the Respondent.

4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such Salesperson has been suspended by any self-regulatory organization Registered under the *Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory Organization.*
5. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
6. That by virtue of the foregoing, the Respondent's registration as a Salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 ILL. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

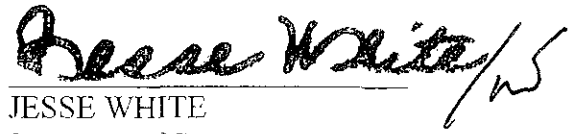
A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

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Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 2nd day of May 2011.


JESSE WHITE
Secretary of State
State of Illinois

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James L. Kopecky:
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